

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
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OFFICE OF THE
CONSUMER ADVOCATE

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

UNITED STATES POSTAL SERVICE FOLLOW-UP
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS SHERMAN
(USPS/OCA-T300-10)

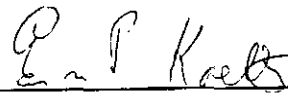
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate witness Sherman: USPS/OCA-T300-10.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Eric P. Koetting

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992; Fax -5402
February 3, 1998



Eric P. Koetting

POSTAL SERVICE FOLLOW-UP INTERROGATORY TO OCA WITNESS SHERMAN
USPS/OCA-T300-10. Please refer to your response to USPS/OCA-T300-8(b). In that subpart, when asked about the efficient pricing of two mail categories in the absence of any cross-price or discount elasticities, you stated that it is "possible" that the marginal cost of one of the two services can be estimated best using information about the other service's marginal cost and the cost difference.

(a) If that possibility were not the case, and you had no reason to believe that the best estimate of the marginal cost of either service came from anywhere other than direct measurement of the marginal cost of that service itself, would you then agree that the efficient prices of these mail categories should be based on their own-price elasticities and own marginal costs, and not on the estimated cost difference between the categories? If you do not agree, please explain fully.

(b) Would you agree that difficulties in measuring or estimating marginal costs may be more of a concern when mail pieces with potentially different cost characteristics are shifting between categories on the basis of relative prices, and are likely to be less of a concern when there is no shifting between categories on the basis of relative price, as assumed in these questions? If you do not agree, please explain fully.